

Message Text

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FM SECSTATE WASHDC

TO AMEMBASSY LAGOS

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E.O. 11652: N/A

TAGS: BENC, NI

SUBJECT: NSDA STEEL MILL PROPOSALS

REF: LAGOS A-27

1. ARTHUR G. MCKEE AND CO. HAS RAISED CERTAIN QUESTIONS REGARDING NSDA STEEL MILL REQUEST WHICH THEY BELIEVE NEED CLARIFICATION PRIOR TO FINALIZING THEIR PROPOSAL. AS EM0ASSY PROBABLY AWARE MCKEE'S OFFER WILL COVER FEASIBILITY STUDY, DESIGN-ENGINEERING, PROCUREMENT AND PROJECT MANAGEMENT. THEIR DESIGN WILL BE BASED ON FIOR DIRECT REDUCTION PROCESS FOR WHICH THEY WILL ISSUE APPROPRIATE PROCESS GUARANTEES.

2. THE NIGERIAN REQUEST ESSENTIALLY ASKS THE ENGINEERING FIRM TO PERFORM A FEASIBILITY STUDY. IN ADDITION AND SOMEWHAT UNUSUAL AT FEASIBILITY STAGE IT AKS THE ENGINEER FOR GUARANTEES COVERING THE DIRECT REDUCTION PROCESS. OF MAJOR CONCERN TO MCKEE IS THAT ON MANY
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INTERNATIONAL PROJECTS THE ENGINEER SELECTED FOR THE

FEASIBILITY STUDY IS PROHIBITED FROM COMPETING FOR THE FOLLOW ON WORK.

3. WE EXPECT THAT MCKEE IS MIS-INTERPRETING NIGERIANS

INTENTIONS. IN FACT, ONE COULD CONCLUDE THE REASON NSDA ISSUED ITS REQUEST EXCLUSIVELY TO THE PROCESS LICENSORS IS BECAUSE THEY SEEK COMPANIES WHICH CAN CARRY PROJECT FROM FEASIBILITY STUDY THROUGH PLANT START-UP. HOWEVER, MCKEE'S CONCERN IS WARRANTED PARTICULARLY IF NIGERIANS SEEK OUTSIDE FINANCING. AS EMBASSY PROBABLY AWARE THE IBRD NORMALLY PROHIBITS THE ENGINEER DOING FEASIBILITY WORK FROM COMPETING FOR FOLLOW-ON CONTRACTS.

4. ACTION REQUESTED: REQUEST EMBASSY SEEK CLARIFICATION FROM APPROPRIATE OFFICIALS REGARDING WHETHER ENGINEER COMPLETING FEASIBILITY STUDY WILL BE ALLOWED TO BID ON FOLLOW-ON CONTRACTS. KISSINGER

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